

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00
USIA-06 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01
AGRE-00 OMB-01 XMB-02 L-03 SS-15 NSC-05 INT-05
DOTE-00 DODE-00 OES-07 NASA-01 ACDA-07 PM-04
OIC-02 /136 R

TREASURY

DRAFTED BY TREASURY:MRYSS
APPROVED BY EB/IFD/ODF:JABWINDER
XMB:JCRUSE
EUR/RPE:ECASEY (DRAFT)
AID:NMOsher (INFO)
EB/IFD/ODF:TPARKER
-----077586 241956Z /61
R 241519Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS
INFO AMEMBASSY OTTAWA
AMEMBASSY TOKYO

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USEEC

E.O. 11652: N/A

TAGS: ETRD, ECON, BE
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SUBJECT: EXPORT CREDITS: KLEIN VISIT TO WASHINGTON

REF: STATE 141408

1. MISSION REQUESTED TRANSMIT FOLLOWING WORKING DOCUMENT
TO FRIEDRICH KLEIN AS US PROPOSAL FOR DISCUSSION DURING HIS
JULY 19 VISIT. MISSION SHOULD EMPHASIZE THAT THIS PAPER
DESIGNED CONVEY OUR IDEAS REGARDING DIRECTION AND TYPE OF

CHANGES REQUIRED IN FOLLOW-ON ARRANGEMENT TO PRESENT CONSENSUS. AS NOTED BY CHAIRMAN OF THE EXPORT CREDITS GROUP IN HIS REPORT TO THE TRADE COMMITTEE (C (77) 112 (FINAL)), WE EXPECT THAT NEGOTIATIONS WILL TAKE PLACE UNDER THE AUSPICES OF THE OECD.

2. QUOTE ARRANGEMENT ON OFFICIAL EXPORT CREDITS.

PREAMBLE.

REFLECTING THEIR CONTINUING COMMITMENT TO REDUCE COUNTER-PRODUCTIVE COMPETITION IN EXPORT FINANCING. THE PARTICIPANTS RECOGNIZE THE NEED FOR IMPROVEMENT IN THE PRESENT INTERNATIONAL CONSENSUS. THE EXISTING CONSENSUS RESPONDS TO THE DECLARATION BY THE HEADS OF STATE AND

GOVERNMENT, WHO MET AT RAMBOUILLET, FRANCE, IN NOVEMBER 1975, THAT THEIR GOVERNMENTS WOULD INTENSIFY EFFORTS TO ACHIEVE A PROMPT CONCLUSION OF DISCUSSIONS CONCERNING EXPORT CREDITS. MORE RECENTLY, EFFORTS TO CONCLUDE AN IMPROVED INTERNATIONAL ARRANGEMENT HAVE BEEN ENDORSED BY THE LONDON ECONOMIC SUMMIT, HELD IN MAY 1977.

WHILE THE EXISTING CONSENSUS HAS ESTABLISHED A MECHANISM TO PROMOTE INTERNATIONAL COOPERATION IN THE EXPORT CREDIT LIMITED OFFICIAL USE

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FIELD, IT IS BOTH A LIMITED AND INFORMAL UNDERSTANDING THAT NEEDS TO BE SIGNIFICANTLY BROADENED AND STRENGTHENED TO FURTHER REDUCE COUNTERPRODUCTIVE COMPETITION. ACCORDINGLY, THE PARTICIPANTS ACCEPT THE FOLLOWING ARRANGEMENT:

ARRANGEMENT.

BEGINNING JANUARY 1, 1978, AND CONTINUING FOR A ONE-YEAR PERIOD THEREAFTER, THE PARTICIPANTS INTEND TO APPLY THE FOLLOWING UNDERTAKINGS, PROCEDURES AND DEFINITIONS TO OFFICIAL SUPPORT WITH A REPAYMENT TERM OVER TWO YEARS, INCLUDING LEASING:

EXPORT CREDIT UNDERTAKINGS.

1. CASH PAYMENT -- CASH PAYMENTS WILL BE A MINIMUM OF FIFTEEN PERCENT OF THE EXPORT CONTRACT VALUE.
2. MINIMUM NET INTEREST RATE -- THE FOLLOWING SCHEDULE WILL APPLY:

COUNTRIES CONSIDERED	REPAYMENT PERIOD	OVER
	OVER 5 TO OVER 8.5	10 TO
	2 TO 5 YRS. 8.5 YRS.	TO 10 YRS. 12 YRS
	(IN PERCENT)	

INDUSTRIAL	8.00	8.50	9.00	--
INTERMEDIATE	7.75	8.00	8.50	9.00

DEVELOPING 7.50 7.75 8.00 8.50

3. MAXIMUM REPAYMENT TERM -- THE MAXIMUM REPAYMENT TERMS WILL BE TEN YEARS TO DEVELOPING AND 8.5 YEARS TO OTHER COUNTRIES EXCEPT FOR AIRCRAFT, CONVENTIONAL AND NUCLEAR POWER AND STEEL PLANTS WHERE THE MAXIMUM REPAYMENT TERM OR LEASE WILL BE TEN YEARS REGARDLESS OF THE BUYER COUNTRY. REPAYMENT TERMS UP TO 12 YEARS WILL BE PERMITTED WITH PRIOR NOTIFICATION BUT ONLY WHERE JUSTIFIED BY SPECIAL ECONOMIC AND FINANCIAL CHARACTERISTICS.

LOCAL COST -- NO LOCAL COST SUPPORT WILL BE PROVIDED BY LIMITED OFFICIAL USE

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OFFICIAL EXPORT CREDIT AGENCIES.

5. EXPORT INFLATION INSURANCE -- PARTICIPANTS WILL NOT PROVIDE OFFICIAL ASSISTANCE TO EXPORTERS DESIGNED TO

PROTECT AGAINST INCREASED COSTS DUE TO INFLATION, FLUCTUATIONS IN EXCHANGE RATES OR OTHERWISE PROVIDE A COMPETITIVE ADVANTAGE TO THEIR EXPORTERS.

EXPORT CREDIT PROCEDURES.
THE FOLLOWING PROCEDURES SHALL BE OBSERVED;

1. PRIOR NOTIFICATION -- IF A PARTICIPANT WOULD LIKE TO EXCEED THE UNDERTAKING ABOVE, IT WILL SO INFORM OTHER AGENCIES SEVEN DAYS IN ADVANCE; WITH AN ADDITIONAL NINE DAYS ALLOWED FOR CONSULTATION UPON REQUEST.

2. PROMPT INFORMATION -- PROMPT INFORMATION, WITHIN FIVE DAYS OF COMMITMENT, WILL ALSO BE EXCHANGED WHERE CREDIT TERMS EXCEEDING THE UNDERTAKING ABOVE HAVE BEEN SET TO MEET THE TERMS OFFERED BY OTHER COUNTRIES, OR -- FOR A SIX-MONTH TRANSITIONAL PERIOD -- UNDER EXISTING COMMITMENTS; THESE COMMITMENTS SHOULD BE BROUGHT IN CONFORMITY WITH THE GUIDELINES AT THE EARLIEST POSSIBLE DATE, BUT IN NO CASE LATER THAN JUNE 30, 1978.

3. CONSULTATIONS -- PARTICIPANTS WILL MEET TWICE A YEAR TO EXCHANGE INFORMATION AND EXPERIENCE UNDER THE ARRANGEMENT, TO DISCUSS THEIR EXPORT CREDIT PROGRAMS AND TO EXAMINE WAYS AND MEANS TO FURTHER REDUCE COUNTERPRODUCTIVE COMPETITION IN OFFICIAL EXPORT CREDITS.

4. EXCEPTIONS -- THESE GUIDELINES SHALL NOT APPLY TO:
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A. SHIPS -- TO WHICH THE TERMS OF THE OECD UNDERSTANDING ON EXPORT CREDITS FOR SHIPS WILL APPLY;

B. SATELLITE GROUND STATIONS AND SATELLITES FOR MATURITIES ONLY -- TO WHICH THE TERMS OF THE OECD AGREEMENT ON SATELLITE GROUND STATIONS WILL APPLY;

C. AGRICULTURAL COMMODITIES; AND

D. MILITARY EQUIPMENT

5. MIXED CREDITS -- ANY MIXED CREDIT WITH A GRANT ELEMENT OF 35 PERCENT OR MORE, AS DEFINED BY THE DEVELOPMENT ASSISTANCE COMMITTEE OF THE OECD, IS EXEMPT FROM THE UNDERTAKING. ANY MIXED CREDIT WITH AN OVERALL GRANT ELEMENT OF LESS THAN 25 PERCENT WOULD OBSERVE THE PRIOR NOTIFICATION PROCEDURE. MIXED CREDITS WITH AN OVERALL GRANT ELEMENT OF AT LEAST 25 PERCENT, BUT LESS THAN 35 PERCENT, WOULD RESULT IN PROMPT INFORMATION.

6. INFORMATION -- INFORMATION EXCHANGED AMONG PARTICIPANTS ON SPECIFIC TRANSACTIONS OF MUTUAL INTEREST WILL INCLUDE DETAILS OF ALL ASPECTS OF AN EXPORT CREDIT TRANSACTION, INCLUDING, AT LEAST THE SPECIFIC DETAILS IN EXHIBIT A.

7. WITHDRAWAL -- PARTICIPANTS CAN WITHDRAW FROM THIS UNDERTAKING UPON NOTICE TO THE OTHER PARTICIPANTS.

TECHNICAL DEFINITION.

1. FOR THE PURPOSE OF APPLYING THE ABOVE:

A. QUOTE OFFICIAL SUPPORT UNQUOTE MEANS:

1) FINANCIAL ASSISTANCE, IN WHATEVER FORM, GRANTED FOR LIMITED OFFICIAL USE

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EXPORT CREDITS BY ONE OF THE FOLLOWING: -- THE STATE, -- PUBLIC BODIES OR PUBLIC INSTITUTIONS, -- CENTRAL BANKS, -- OTHER INSTITUTIONS WHICH HAVE RECEIVED FROM THE STATE, PUBLIC BODIES, PUBLIC INSTITUTIONS, OR CENTRAL BANKS, A MANDATE, GENERAL OR SPECIFIC, TO ASSIST IN PROVIDING EXPORT CREDITS;

2) PUBLIC GUARANTEES AND INSURANCE FOR THE PURPOSE OF REDUCING INTEREST RATES.

B. QUOTE INTEREST RATE UNQUOTE:

1) REFERS TO: -- THE OFFICIAL FINANCING OR REFINANCING RATE AT TIME OF COMMITMENT WHICH APPLIES TO EITHER THE WHOLE OF EACH FINANCIAL CREDIT OR WHERE ONLY PART OF THE CREDIT IS OFFICIALLY PROVIDED; GUARANTEED, OR INSURED, TO ONLY THAT PORTION OF THE CREDIT.

2) EXCLUDES ALL: -- BANK FEES AND COMMISSIONS (OTHER THAN THOSE ALREADY TAKEN INTO ACCOUNT FOR CALCULATING OFFICIAL SUPPORT). -- EXPORT CREDIT INSURANCE CHARGES, -- LOCAL TAXES APPLIED IN THE COUNTRY OF THE PURCHASER.

EXHIBIT A

TO:

INFORMATION EXCHANGE

(EXPORT CREDIT AGENCY) HAS TENTATIVELY A
- - - - - (AUTHORIZED/EXTENDED) (PRELIMINARY

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COMMITMENT/FINANCIAL GUARANTEE/DIRECT CREDIT)

(COUNTRY AND PROJECT/PRODUCT)
WITH THE FOLLOWING CONDITIONS:

EXPORT VALUE (OECD CATEGORY):
CASH PAYMENT: PER CENT
CREDIT PER CENT
GUARANTEE PER CENT
REPAYMENT TERM: SEMI-ANNUAL INSTALLMENTS:
STARTING POINT

INTEREST RATES:
CREDIT: PER CENT
BLENDED RATE, APPROX: PER CENT
GUARANTEE PREMIUM: PER CENT

TOTAL ANNUAL CHARGE (INCLUDING INSURANCE PREMIUM: PER CENT

UNQUOTE
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, VISITS, EXPORT CREDIT GUARANTEES
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE147356
Document Source: CORE
Document Unique ID: 00
Drafter: MRYSS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770227-0153
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770619/aaaaaqt.k.tel
Line Count: 275
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a63e0477-c288-dd11-92da-001cc4696bcc
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 141408
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2034469
Secure: OPEN
Status: NATIVE
Subject: EXPORT CREDITS: KLEIN VISIT TO WASHINGTON
TAGS: ETRD, ECON, BE, (KLEIN, FRIEDRICH)
To: BRUSSELS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a63e0477-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
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